

## Message Text

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ACTION EB-03

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC IMMEDIATE 7571

C O N F I D E N T I A L BRASILIA 0886

LIMDIS

FOR ASST SECRETARY ENDERS

E.O.11652: GDS

TAGS: ENRG, BR

SUBJECT: USG THINKING ON PETROLEUM

REF: A. STATE 022610 B. BRASILIA 787

1. SUMMARY: BRAZIL FONMIN EXTREMELY PLEASED PROMPT AND SUBSTANTIVE US RESPONSE. SOUTO MAIOR, FOREIGN MINISTER'S CHEFE DE CABINET, RAISES ADDITIONAL QUESTIONS ON TIMETABLE AND STRUCTURE OF CONFERENCE. GOB FLATTERED BY PROSPECT OF BEING PARTICIPANT IN A RESTRICTED MEETING OF MAJOR COUNTRIES. END SUMMARY

2. IN LETTER TO FOREIGN MINISTER, JANUARY 31, AMBASSADOR TRANSMITTED CONTENTS REFTEL A.

3. MINISTER SOUTO MAIOR, SILVEIRA'S CHEFE DE CABINET, IN MEETING WITH ECON COUNSELOR, WARMLY EXPRESSED APPRECIATION PROMPT US RESPONSE. COUNSELOR,, IN ORAL PRESENTATION, UNDERSCORED KEY POINTS, INCLUDING US POSITION IN FAVOR OF SMALL MEETING PERMITTING CONSTRUCTIVE DIALOGUE. SOUTO MAIOR, WITH OBVIOUS SATISFACTION AND  
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PLEASURE, NOTED IMPLICATION US INTEREST IN BRAZIL'S PARTICIPATION

AS A SPOKESMAN OF LDC CONSUMERS.

4. SOUTO MAIOR SAID GOB WAS JUST BEGINNING TO FORMULATE A POSITION AND THAT AMBASSADOR'S LETTER WOULD BE EXTREMELY USEFUL IN GOB'S INTERNAL DELIBERATIONS, INCLUDING NUMBER OF AGENCIES. GOB WOULD APPRECIATE BEING KEPT INFORMED ON DEVELOPMENT OF US THINKING AS IT FORMULATES ITS OWN VIEWS.

5. FOLLOWING SPECIFIC POINTS EMERGED:

A. TIME TABLE: SOUTO MAIOR WONDERED WHETHER US HAD SPECIFIC TIME TABLE FOR MOVING FROM STAGE 2 (PREPARATORY MEETING) TO STAGE 4 (SUBSTANTIVE CONSUMER-PRODUCER CONFERENCE). COUNSELOR SAID US HAD ALWAYS FELT THAT FORMULATION OF A WELL THOUGHT-OUT CONSUMER POSITION WAS OF THE ESSENCE FOR A SUCCESSFUL CONFERENCE, AND THAT THE TIMING OF A CONFERENCE WOULD DEPEND ON HOW QUICKLY CONSUMERS WOULD COMPLETE STAGE 3.

B. BILATERAL OR TRILATERAL CONFERENCE: SOUTO MAIOR WONDERED WHETHER US THOUGHT OF COUNTRIES LIKE BRAZIL SITTING AS MEMBERS OF CONSUMER GROUPS OR ENVISAGED THIRD GROUP REPRESENTING LDC CONSUMER INTERESTS. COUNSELOR SAID THAT USG WOULD WISH TO STAY AS CLOSELY IN TOUCH AS POSSIBLE WITH GOB, AND THAT US WAS OF COURSE PREPARED TO SEE (AND WOULD WELCOME) BRAZIL'S PARTICIPATION IN A MAJOR CONSUMER CONFERENCE; WE RECOGNIZED, HOWEVER, THAT MAJOR CONSUMERS PARTICIPATING IN INTERNATIONAL ENERGY AGENCY CONSTITUTED A GROUP MORE HIGHLY ORGANIZED THAN BRAZIL PREPARED TO JOIN AT THIS TIME, AND THAT OTHER DIMENSIONS OF BRAZILIAN FOREIGN POLICY MIGHT PRECLUDE SUCH A MOVE. SOUTO MAIOR SAID THAT NO DECISION HAD BEEN MADE -- ALTHOUGH EARLIER FRENCH PROPOSAL, TO WHICH GOB HAD RESPONDED POSITIVELY, HAD FORESEEN A TRILATERAL STRUCTURE; SPEAKING PERSONALLY, HE THOUGHT THAT GOB WOULD BE UNCOMFORTABLE WITH DUAL STRUCTURE, AND WOULD DEFINITELY PREFER TRILATERAL APPROACH. COUNSELOR NOTED THAT EVEN GIVEN SUCH A TRILATERAL STRUCTURE WHICH HAD BEEN FORESEEN IN VARIOUS EARLIER SCENARIOS, CONFIDENTIAL

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THERE REMAINED QUESTIONS OF COORDINATION AND ORCHESTRATION BETWEEN THE INDUSTRIAL AND LDC CONSUMERS WHICH SHOULD BE THE SUBJECT OF FURTHER DIALOGUE.

C. NUMBER OF PARTICIPANTS: SOUTO MAIOR WAS LESS DEFINITE IN HIS VIEWS IN REGARD TO PARTICIPATION. HE FULLY ACCEPTED THE DESIRABILITY OF LIMITING THE NUMBER OF PARTICIPANTS IN ORDER TO FACILITATE A CONSTRUCTIVE DIALOGUE BUT IMPLICITLY RECOGNIZED THE SEVERE

PRESSURES WHICH WOULD BUILD UP IN FAVOR OF ENLARGEMENT OF THE CONFERENCE (AS WELL AS THE POLITICAL DIFFICULTIES GOB WOULD CREATE FOR ITSELF WITHIN THE HEMISPHERE AS SPOKESMAN FOR LATIN AMERICAN LDC CONSUMERS.)

D. SCOPE AND FOCUS OF CONFERENCE: SOUTO MAIOR (TAKING NOTE OF REFTEL A, PARA 2, D), WONDERED WHETHER "ENERGY AND RELATED PROBLEMS" AND RELATED REFERENCES TO PRICE AND SECURITY OF SUPPLY DID NOT REALLY MEAN "PETROLEUM". COUNSELOR AGREED, NOTING THAT OTHER FORMS OF ENERGY -- INCLUDING COAL -- SHOULD PROBABLY COME INTO THE PICTURE FOR THE MOST PART ONLY INDIRECTLY, IN TERMS OF THEIR INFLUENCE ON PETROLEUM DEMAND AND COST PRICE OF ALTERNATIVES TO PETROLEUM. SIGNIFICANTLY, SOUTO MAIOR WAS VAGUE WITH RESPECT TO GOB'S PROSPECTIVE ATTITUDE ON ISSUE OF BROADENING SCOPE OF CONFERENCE TO INCLUDE OTHER RAW MATERIALS.

5. COMMENT: EMBASSY STRONGLY RECOMMENDS THAT DIALOGUE BEGUN WITH AMBASSADOR SILVEIRA EXCHANGE AND AMBASSADOR'S LETTER BE CONTINUED ON A TIMELY BASIS. GOB HAS BEEN AND WILL BE APPROACHED BY OTHER GOVERNMENTS AND USG CAN ONLY STAND TO GAIN BY DIALOGUE. PETROLEUM WOULD SEEM TO BE AN OPERATIONALLY MEANINGFUL AREA IN WHICH IT IS IN OUR INTEREST TO MAKE THE DIALOGUE FULL AND FRANK. THIS DOES NOT MEAN THAT GOB WILL BE AN EASY AND RESPONSIVE PARTNER. GOB IS FLATTERED BY THE PROSPECT OF ENTERING THE RAREFIED ATMOSPHERE OF A MEETING RESTRICTED IN NUMBER AND TO MAJOR COUNTRIES. ON THE OTHER HAND, BRAZIL HAS OTHER INTERESTS AND INHIBITIONS WHICH WOULD PRECLUDE ITS UNQUALIFIED SUPPORT OF, AND FULL IDENTIFICATION WITH THE POSITION OF A WESTERN CONSUMER CAUCUS, SUCH AS ITS POSITION AS RAW MATERIALS

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SUPPLIER AND ITS THIRD WORLD IDENTIFICATIONS. ON BALANCE, EMBASSY BELIEVES US STRATEGY SHOULD BE TO TAKE FULL ADVANTAGE OF GOB'S ASPIRATIONS WITH GOOD PROSPECT OF ENLISTING GOB AS A RESPONSIBLE, IF INDEPENDENT, PARTICIPANT IN THE FORTHCOMING CONSUMER PRODUCER DISCUSSIONS.

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